COMPANY REGISTRATION NUMBER: 05636081

LV INSURANCE MANAGEMENT LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

CONTENTS

DIRECTORS, OFFICERS AND REGISTERED OFFICE

Directors

P W Moore		Resigned 29 June 2017
K O'Keeffe		Resigned 28 December 2017
R A Rowney		
S Treloar		
A Parsons	Appointed 30 June 2017	Resigned 28 December 2017
J Dye	Appointed 28 December 2017	

Company Secretary
R S Small

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Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
3 Forbury Place
23 Forbury Road
Reading
RG1 3JH

STRATEGIC REPORT

The Directors submit their annual report and the financial statements for LV Insurance Management Limited (the 'Company') for the year to 31 December 2017.

1. Results and dividends

The loss for the financial year was £133,000 (2016: £158,000) as set out on page 9. The Directors propose no dividends for the current year (2016: £nil).

2. Principal activities

The principal activity of LV Insurance Management Limited ('Company') is the provision of management services to other companies within Liverpool Victoria General Insurance Group (LVGIG).

3. Business review and developments

(a) Results and performance

During 2017 the Company has continued to support LVGIG in its long term strategic objectives and has net assets of £705,000 (2016: £838,000).

(b) Strategy

The long term objective of LVGIG and its subsidiaries ('Group') is as follows:

"To transform from a top-five UK car insurer to a top-five general insurer. The Group intends to achieve this through customer centricity, maintaining its customer satisfaction and retention rates and growth through outperforming in the personal lines market. The Group aims to deliver attractive and consistent returns to its shareholders."

The Company is one of the service companies within this group and supports the main operating entities in achieving the overall objective. The Directors do not anticipate any change in this status in the near future.

(c) Principal risks and uncertainties and risk management

The key business risks and uncertainties affecting the Company are considered to relate to credit risk. However, this is considered minimal with all significant balances being due from fellow group companies. The Company actively manages and monitors its credit exposure on an ongoing basis and where possible limits significant transactions to counterparties with high credit ratings or those that operate in a regulated environment.

The Company manages capital so as to safeguard its ability to continue as a going concern. The Company has no short term or long term debt and considers its capital to comprise its ordinary share capital and accumulated losses.

(d) Significant post statement of financial position events.

There have been no events of significance affecting the Company since the statement of financial position date.

(e) Key performance indicators ('KPIs')

Given the nature of the Company's operations the Directors do not consider the use of KPIs to be appropriate.

On behalf of the Board of Directors

S. Treloar

S Treloar
Director

28 March 2018

DIRECTORS' REPORT

As permitted by section 414C(11) of the Companies Act 2006, certain information is not included in the Directors' Report because it has instead been shown in the Strategic Report. This information is:

- Results and dividends;
- Principal activities of the Company;
- Business review and future prospects;
- Principal risks and uncertainties and risk management.

1. Directors and their interests
The present members of the Board and the members who were in office during the year and up to the date of signing the financial statements are listed on page 3.

2. Parent company
The ultimate parent company is Liverpool Victoria Friendly Society Limited ('LVFS'), a friendly society incorporated under the Friendly Societies Act 1992. The immediate parent company is LVGIG. LVGIG is a 51% owned subsidiary of LV Capital PLC (2016: 100%). During the year LV Capital plc sold a 49% stake in LVGIG to Allianz Holdings plc.

3. Employees
The Company did not directly employ any staff during 2017. Instead it utilised the staff and premises of LVFS in carrying out its activities and incurred the cost of staff through management charges.

4. Directors' indemnity statement
The Directors have the benefit of an indemnity which constitutes a "qualifying third party indemnity provision" as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. LVFS, the ultimate parent company, also purchased and maintained throughout the financial year on behalf of its subsidiaries Directors' and Officers' liability insurance in respect of the Company and its Directors. It is available for inspection at the registered office of the Company, details of which are provided on page 3.

5. Directors' responsibilities statement
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

DIRECTORS' REPORT

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board of Directors and signed by order of the Board

Rachel Small

R S Small
Company Secretary

28 March 2018

Independent auditors' report to the members of LV Insurance Management Limited

Report on the audit of the financial statements

Opinion

In our opinion, LV Insurance Management Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2017; the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on pages 5 and 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Other matter

The financial statements for the year ended 31 December 2016, forming the corresponding figures of the financial statements for the year ended 31 December 2017, are unaudited.

Adam Beasant

Adam Beasant (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
28 March 2018

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £000	Unaudited 2016 £000
Other income	3	**282,762**	287,780
Total income		**282,762**	287,780
Other operating and administrative expenses	4	**(282,762)**	(287,780)
Total expenses		**(282,762)**	(287,780)
Profit before tax		**-**	-
Income tax expense	7	**(133)**	(158)
Loss for the financial year		**(133)**	(158)
Total comprehensive loss for the year		**(133)**	(158)

All balances relate to continuing business.

The notes on pages 13 to 26 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

		Attributable to equity holders of the Company			
		Share capital	**Share premium**	**Accumulated losses**	**Total equity**
	Note	**£000**	**£000**	**£000**	**£000**
Balance at 1 January 2017		**1,045**	-	**(207)**	**838**
Loss for the financial year	19	-	-	**(133)**	**(133)**
Balance at 31 December 2017		**1,045**	-	**(340)**	**705**

		Attributable to equity holders of the Company			
Unaudited		Share capital	Share premium	Accumulated losses	Total equity
	Note	£000	£000	£000	£000
Balance at 1 January 2016		1,045	-	(49)	996
Loss for the financial year	19	-	-	(158)	(158)
Balance at 31 December 2016		1,045	-	(207)	838

The notes on pages 13 to 26 are an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 £000	Unaudited 2016 £000
Assets			
Intangible assets	8	**75,006**	47,035
Property, plant and equipment	9	**6,156**	8,306
Deferred tax assets	10	**1,367**	869
Current tax asset	11	**27**	184
Prepayments and accrued income	12	**34,832**	2,468
Total assets		**117,388**	58,862
Liabilities			
Trade and other payables	15	**111,606**	58,024
Provisions	17	**5,077**	-
Total liabilities		**116,683**	58,024
Equity			
Share capital	18	**1,045**	1,045
Accumulated losses	19	**(340)**	(207)
Total equity		**705**	838
Total liabilities and equity		**117,388**	58,862

The notes on pages 13 to 26 are an integral part of the financial statements.

The financial statements on pages 9 to 26 were approved by the Board of Directors on 28 March 2018.

Signed on behalf of the Board of Directors

S. Treloar

S Treloar
Director

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £000	Unaudited 2016 £000
Cash and cash equivalents at 1 January	14	**-**	-
Cash flows arising from:			
Operating activities			
Cash generated from operating activities	21	**34,666**	35,330
Group tax relief	11	**(474)**	109
Net cash flows generated from operating activities		**34,192**	35,439
Investing activities			
Proceeds from sale/transfer of property and equipment	9	**740**	-
Purchase of property and equipment	9	**(462)**	(3,179)
Purchase of intangibles	8	**(34,470)**	(32,260)
Net cash flows used in investing activities		**(34,192)**	(35,439)
Financing activities			
Cash and cash equivalents at 31 December	14	**-**	-

The notes on pages 13 to 26 are an integral part of the financial statements.

1. General information

The Company is a private company limited by shares, domiciled and incorporated in the United Kingdom. The principal activity of LV Insurance Management Limited ('Company') is the provision of management services to other companies within Liverpool Victoria General Insurance Group (LVGIG).

2. Accounting policies

BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations issued by the IFRS Interpretations Committee (IFRIC) as published by the International Accounting Standards Board and adopted by the European Union (EU). In addition the financial statements comply with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

These financial statements have been prepared under the historic cost convention, as modified by the revaluation of financial assets and liabilities at fair value through income.

The preparation of the financial statements in conformity with IFRS requires the use of estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The Company has not used any significant estimates or judgements in preparing the financial statements in conformity with IFRS, except in the estimation of internally generated staff costs and the useful life of software (see IT Software below).

During the year, intangible additions included £33.3m of internally generated staff costs. The amounts to be capitalised are based upon the time spent by staff on the development of the asset. The expected economic life is determined by reference to the normal lives of related products and the competitive positions and lies within the range of 3 to 8 years. Intangible assets are reviewed annually to assess their useful life. The review is based upon managements judgements.

The principal accounting policies adopted are listed below. These policies have been consistently applied to all years presented, unless otherwise stated.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Other income

Management charges for the provision of services are recognised as income when due for payment. The Company recognises other operating income when the amount of income can be reliably measured and it is probable that future economic benefits will flow to the Company. Income from the recharged expenses is recognised in parallel with the recognition of the underlying expenses to be charged.

Operating lease payments

The costs in respect of operating leases are charged on a straight line basis over the lease term. The value of any lease incentive received to take on an operating lease (for example, rent free periods) is recognised as deferred income and is released over the life of the lease.

2. Accounting policies (continued)

IT Software
IAS 38 Intangible Assets requires the capitalisation of certain expenditure relating to software costs. Software costs are capitalised if it is probable that the asset created will generate future economic benefits. Costs incurred to establish technological feasibility or to maintain existing levels of performance are recognised as an expense.

Software costs capitalised as intangible assets include computer application software licences and internally developed software. Internally developed software is capitalised as an intangible asset and amortised over its estimated useful life when it is either identified as separable (i.e. capable of being separated from the entity and sold, transferred, rented, or exchanged) or it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable. Software intangibles are amortised using the straight-line method over their useful lives (3 to 8 years). The amortisation periods used are reviewed annually.

Software values are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount is not recoverable the asset is written down immediately to the estimated recoverable amount, based on value in use calculations.

Property and equipment
Operational property and equipment is held at accumulated cost less depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Both property and equipment are depreciated to their estimated residual values on a straight-line basis over their estimated useful lives. The periods used are as follows:

Leasehold property enhancements*	10 years or lease term if shorter
Fixtures and fittings	3 to 10 years
IT equipment	3 to 8 years

Assets are written down to their recoverable amount where this is less than the carrying value.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Statement of Financial Position date.

*These are properties used for operational purposes and are not investment properties.

2. Accounting policies (continued)

Income taxes
The income tax expense reflects the movement in current and deferred income tax in respect of income, gains, losses and expenses.

Income tax expense
Income tax expense recorded in the Statement of Comprehensive Income represents the current year corporation tax charge. Corporation tax is charged on trading profits arising in the year.

- Current income tax
Current income tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Statement of Financial Position date.

- Deferred tax
Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the Statement of Financial Position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Loans and other receivables
Loans and other receivables are initially measured at fair value and then subsequently measured at amortised cost using the effective interest rate method. Other receivables are recognised when due.

An assessment is performed at each Statement of Financial Position date whether there is any indication that a loan or receivable, or a group of loans or receivables, is impaired. Where there is objective evidence that the carrying value is impaired then the impairment loss will be recognised in the Statement of Comprehensive Income.

Trade and other payables
Trade and other payables are recognised as they fall due. They are initially recognised at fair value and subsequently held at amortised cost.

Share capital
Shares are classified as equity when there is no obligation to transfer cash or other assets.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand, and short-term deposits with an original maturity of three months or less.

For the purpose of the Statement of Cash Flows, cash and cash equivalents are as defined above but are shown net of outstanding bank overdrafts.

2. Accounting policies (continued)

Provisions
Provisions are recognised where there is a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Where some or all of a provision is expected to be reimbursed it is recognised as a separate asset when the reimbursement is certain.

Provisions are measured at the present value of the expenditure required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The expense relating to provisions is presented in the Statement of Comprehensive Income.

Onerous contracts
A provision is made for onerous contracts in which the unavoidable costs of meeting the obligation exceed the expected future economic benefits.

CHANGES IN ACCOUNTING POLICIES

(i) New and amended standards adopted by the Company

Although no new standards have come into effect, amendments to IFRSs have been adopted by the EU for accounting periods beginning on or after 1 January 2017. These amendments have been adopted by the Company but do not have a material impact on the 2017 financial statements.

IAS 12 'Income taxes' has been amended to clarify the treatment of deferred tax associated with unrealised gains and losses on financial instruments and also addresses the recoverability of deferred tax where this relates to an asset with a fair value below its tax base. Recognition of deferred tax has been assessed and there is no impact of this clarification.

Other than as set out above, no new or amended accounting standards and interpretations were adopted for the 2017 financial year.

2. Accounting policies (continued)

(ii) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company, except the following:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at FVTPL with the irrevocable option at inception to present changes in fair value in other comprehensive income without recycling. There is a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The standard is effective for accounting periods beginning on or after 1 January 2018.

The Company has assessed its financial instruments against the classification and measurement criteria of IFRS 9. The balances that are relevant to this standard include:

- invoiced creditor balances with group companies and third parties which will continue to be held at the invoiced amount.

IFRS 15 'Revenue from contracts with customers' applies to non-insurance revenue and provides a principles-based approach for revenue recognition that is underpinned by the achievement of performance obligations. It replaces IAS 18 'Revenue' and is effective from 1 January 2018.

Revenue that is relevant for this standard includes management services fees charged to other subsidiaries within the Group. Fees are charged each month based on the costs incurred. The costs incurred are commensurate with the services provided to other subsidiaries and therefore revenue recognition on this basis remains appropriate.

Revenue recognition has been assessed and the impact of application of IFRS 15 will not be material.

IFRS 16 'Leases' sets out the principles for the recognition, measurement, presentation and disclosure of leases. It replaces IAS 17 'Leases' and is effective from 1 January 2019. Information disclosed by lessees and lessors will enable users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity. The standard has been reviewed and it is expected that leases currently classified as operating leases will require recognition on the Statement of Financial Position at the present value of minimum lease payments. The impact of this new standard on the Statement of Financial Position and the Statement of Comprehensive income is currently being assessed.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

3. Other income

	2017 £000	Unaudited 2016 £000
Management charges	**282,762**	287,780
	282,762	287,780

4. Other operating and administrative expenses

	Note	2017 £000	Unaudited 2016 £000
Depreciation on property, plant and equipment – owned	9	**1,872**	1,348
Operating lease rental charge on land and buildings	20	**1,144**	1,144
Administrative expenses (including management charge)		**273,247**	282,599
Amortisation and impairment of intangible assets	8	**6,499**	2,689
		282,762	287,780

5. Auditors' remuneration

	2017 £000	Unaudited 2016 £000
Audit of the Company	**22**	-
	22	-

Liverpool Victoria Friendly Society (LVFS), the parent Society, is responsible for the management and administration of the Company. The audit remuneration, in respect of services to the Company, is borne by LVFS.

6. Directors' emoluments

The emoluments of the directors are paid by the ultimate parent company. The directors are also directors of Liverpool Victoria Friendly Society Limited (and a number of fellow subsidiaries) and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly, the above details include no emoluments. Total emoluments for the relevant directors are included in the aggregate of Directors' emoluments disclosed in the financial statements of Liverpool Victoria Friendly Society Limited.

7. Income tax expense

a) Current year tax expense

	2017 £000	Unaudited 2016 £000
Current year tax (expense)/credit:		
Current tax		
Group relief	**27**	184
Adjustments to current tax in respect of prior years	**(658)**	63
Total current tax	**(631)**	247
Deferred tax		
Adjustments to deferred tax in respect of prior years	**563**	(84)
Deferred tax charge	**(65)**	(321)
Total deferred tax credit/(expense)	**498**	(405)
Total income tax expense	**(133)**	(158)

b) Reconciliation of tax expense

The tax assessed for the year is higher (2016: higher) than the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

	2017 £000	Unaudited 2016 £000
Effects of:		
Expenses not deductible for tax purposes	**(38)**	(36)
Impact of change in UK tax rate on deferred tax	**-**	(101)
Adjustment to current tax in respect of prior years	**(658)**	63
Adjustment to deferred tax in respect of prior years	**563**	(84)
Total income tax expense for the year	**(133)**	(158)

The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017. Accordingly, the profits for this accounting period are taxed at an effective rate of 19.25% (2016: 20%).

8. Intangible assets

	Software and licence costs	Total
	£000	£000
Cost		
At 1 January 2017	**51,553**	**51,553**
Additions	**34,470**	**34,470**
At 31 December 2017	**86,023**	**86,023**
Accumulated amortisation		
At 1 January 2017	**4,518**	**4,518**
Amortisation charge for the year	**4,910**	**4,910**
Impairment charge for the year	**1,589**	**1,589**
At 31 December 2017	**11,017**	**11,017**
Net book value at 31 December 2017	**75,006**	**75,006**
Net book value at 31 December 2016	47,035	47,035

Unaudited	Software and licence costs	Total
	£000	£000
Cost		
At 1 January 2016	19,293	19,293
Additions	32,260	32,260
At 31 December 2016	51,553	51,553
Accumulated amortisation		
At 1 January 2016	1,829	1,829
Amortisation charge for the year	2,689	2,689
At 31 December 2016	4,518	4,518
Net book value at 31 December 2016	47,035	47,035
Net book value at 31 December 2015	17,464	17,464

9. Property, plant and equipment

	Leasehold property enhancements	**Fixtures, fittings and IT equipment**	**Total**
	£000	**£000**	**£000**
Cost:			
At 1 January 2017	**8,404**	**10,034**	**18,438**
Additions	**22**	**440**	**462**
Disposals	**-**	**(740)**	**(740)**
At 31 December 2017	**8,426**	**9,734**	**18,160**
Accumulated depreciation:			
At 1 January 2017	**4,843**	**5,289**	**10,132**
Charge in the year	**771**	**1,101**	**1,872**
Disposals	**-**	**-**	**-**
At 31 December 2017	**5,614**	**6,390**	**12,004**
Net book value at 31 December 2017	**2,812**	**3,344**	**6,156**

Unaudited	Leasehold property enhancements	Fixtures, fittings and IT equipment	Total
	£000	£000	£000
Cost:			
At 1 January 2016	8,347	6,912	15,259
Additions	57	3,122	3,179
At 31 December 2016	8,404	10,034	18,438
Accumulated depreciation:			
At 1 January 2016	3,960	4,824	8,784
Provided in the year	883	465	1,348
At 31 December 2016	4,843	5,289	10,132
Net book value at 31 December 2016	3,561	4,745	8,306

10. Deferred tax asset

	2017 £000	Unaudited 2016 £000
At 1 January	**869**	1,274
Charge for the year	**498**	(405)
At 31 December	**1,367**	869

Analysis of deferred taxation temporary differences

Accelerated capital allowances	**1,367**	869
	1,367	869

The analysis of the deferred tax balance is as follows:

Deferred tax asset expected to be recovered after more than 12 months	**1,277**	870
Deferred tax asset expected to be recovered within 12 months	**90**	(1)
Net deferred tax asset	**1,367**	869

The valuation and recoverability of deferred tax assets relating to capital allowances in excess of depreciation is dependant on the availability of future taxable profits within the company. Management forecasts currently support the future recoverability of the deferred tax asset recognised in the statement of financial position as at 31st December 2017.

The Finance (No.2) Act 2015 reduced the main rate of corporation tax to 19% with effect from 1 April 2017. Finance Act 2016 further reduced the main rate of corporation tax to 17% with effect from 1 April 2020.

11. Current tax asset

	2017 £000	Unaudited 2016 £000
At 1 January	**184**	46
Amounts recorded in the statement of comprehensive income	**(631)**	247
Payments made in respect of group relief	**474**	(109)
At 31 December	**27**	184

12. Prepayments and accrued income

	2017 £000	Unaudited 2016 £000
Amounts owed from group undertakings	**19,777**	-
Prepayments	**15,055**	2,468
	34,832	2,468

There are no balances past due or impaired.

13. Maturity profile of assets

Maturity profile of assets 2017	Note	Within 1 year £000	Total £000
Prepayments and accrued income	12	**34,832**	**34,832**
		34,832	**34,832**

Unaudited Maturity profile of assets 2016	Note	Within 1 year £000	Total £000
Prepayments and accrued income	12	2,468	2,468
		2,468	2,468

14. Cash and cash equivalents

	2017 £000	Unaudited 2016 £000
Cash and cash equivalents per statement of financial position	-	-
Cash and cash equivalents per statement of cash flow	-	-

15. Trade and other payables

	2017 £000	Unaudited 2016 £000
Amounts owed to group undertakings	**81,162**	35,046
Accruals and deferred income	**30,277**	22,808
Other payables	**167**	170
	111,606	58,024

The carrying value of trade and other payables held at amortised cost is £111,458k (2016: £57,829k).

16. Maturity profile of liabilities

Maturity profile of liabilities 2017	Note	Within 1 year £000	Over 1 year £000	Total £000
Trade and other payables	15	**(111,606)**	-	**(111,606)**
Provisions	17	**(1,812)**	**(3,265)**	**(5,077)**
		(113,418)	**(3,265)**	**(116,683)**

Unaudited Maturity profile of liabilities 2016	Note	Within 1 year £000	Over 1 year £000	Total £000
Trade and other payables	15	(58,024)	-	(58,024)
		(58,024)	-	(58,024)

17. Provisions

	2017 £000	Unaudited 2016 £000
Balance at 1 January	-	168
Utilised during the year	-	(94)
Additions / (Releases) during the year	**5,077**	(74)
Balance at 31 December	**5,077**	-

Provisions relate to onerous contracts following the sale of the commercial lines business of £3,861k and dilapidations on property of £1,216k. Whilst there is a degree of uncertainty of timings, it is expected £1,812,000 of provisions will be utilised within 1 year, whilst the remaining £3,265,000 will be utilised over the following 3 years.

18. Share capital

	2017 £000	Unaudited 2016 £000
Ordinary shares, allotted and fully paid		
1,045,001 (2016: 1,045,001) ordinary shares of £1 each	**1,045**	1,045
	1,045	1,045

All authorised shares have been issued.

19. Accumulated losses

	2017 £000	Unaudited 2016 £000
Balance at 1 January	**(207)**	(49)
Loss for the year	**(133)**	(158)
Balance at 31 December	**(340)**	(207)

This reserve, when positive, is distributable in future periods, subject to the provisions of the Companies Act 2006.

20. Annual commitments

Annual lease commitments
As at 31 December, the Company had aggregate commitments under non-cancellable operating leases in respect of buildings as follows:

	2017	Unaudited 2016
	£000	£000
Operating leases which expire:		
Within 1 year	**1,144**	1,144
In 2 to 5 years	**110**	1,254
	1,254	2,398

Other financial commitments
The Company has entered into several long-term contracts following service outsourcing which will end no later than 2021. These contracted commitments have not been provided for in the financial statements, except where these contracts are expected to be onerous (see note 17).

21. Cash generated from operating activities

	2017	Unaudited 2016
	£000	£000
Non-cash items		
Amortisation and impairment of intangibles	**6,499**	2,689
Depreciation on property, plant and equipment	**1,872**	1,348
Changes in working capital		
Increase in loans and other receivables	**(32,364)**	(373)
Increase / (Decrease) in provisions	**5,077**	(168)
Increase in trade and other payables	**53,582**	31,834
Cash generated from operating activities	**34,666**	35,330

22. Related party transactions

The Company did not enter into transactions with key management personnel. Details of significant transactions carried out during the year with related parties are as follows:

The following transactions have taken place between the Company and other Group companies:

	2017 £000	Unaudited 2016 £000
Management charge income (with LVIC* and HW*)	**282,762**	287,780
Management charge expense (with LVFS)	**(206,543)**	(87,132)
	76,219	200,648

*Liverpool Victoria Insurance Company Limited (LVIC)
*Highway Insurance Company Limited (HW)

Balances outstanding between the Company and LVFS:

	2017 £000	Unaudited 2016 £000
(Receivable from)/payable to the Company	**(19,777)**	35,046
	(19,777)	35,046

Balances outstanding between the Company and LVIC:

	2017 £000	Unaudited 2016 £000
Payable by the Company	**81,162**	-
	81,162	-

23. Ultimate parent company

The ultimate parent and controlling party is Liverpool Victoria Friendly Society Limited; a UK incorporated Friendly Society registered under the Friendly Societies Act 1992.

The immediate parent company is Liverpool Victoria General Insurance Group Limited, a limited liability company, incorporated in the UK.

Both the ultimate and immediate parent companies are registered at the below address.

The largest company whose financial statements this company is consolidated into is Liverpool Victoria Friendly Society Limited. The smallest company whose financial statements this Company is consolidated into is LVGIG. LVGIG is a 51% owned subsidiary of LV Capital plc (2016: 100%). During the year LV Capital plc sold a 49% stake in LVGIG to Allianz Holdings plc.

The consolidated financial statements of Liverpool Victoria Friendly Society Limited are available to the public and may be obtained from:

The Company Secretary
County Gates
Bournemouth
BH1 2NF

or at www.lv.com/about-us/company-information/returns/reports-accounts